

RESOLUTION NO. 2001-305

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LODI RELATING
TO ELECTRIC SYSTEM REVENUE VARIABLE RATE DEMAND
CERTIFICATES OF PARTICIPATION, 2002 SERIES A AUTHORIZING
EXECUTION AND DELIVERY OF AN INTEREST RATE SWAP AGREEMENT
AND DIRECTING CERTAIN ACTIONS RELATING THERETO

WHEREAS, the City of Lodi, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), owns and operates a municipal electric system (the "Electric System") to provide the City and its inhabitants with electricity; and

WHEREAS, the City Council adopted Resolution No. 2001-303 on December 19, 2001, whereby the City is authorized to enter into an Installment Purchase Contract (the "Installment Purchase Contract") with the Lodi Public Improvement Corporation, a non-profit, public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), whereby the Corporation will acquire from the City certain existing improvements to the Electric System, as more fully described in Exhibit 1 to the Installment Purchase Contract (the "Existing Facilities"), and whereby the Corporation will sell such Existing Facilities back to the City as provided in the Installment Purchase Contract;

WHEREAS, pursuant to the Installment Purchase Contract, the City will be obligated to make installment payments (the "Payments") to the Corporation for the purchase of the Existing Facilities; and

WHEREAS, Resolution No. 2001-303 further approved the refinancing of the improvements to the Existing Facilities as provided in the Installment Purchase Contract through the execution and delivery of Electric System Revenue Variable Rate Demand Certificates of Participation, 2002 Series A (the "Series A Certificates") and Electric System Revenue Certificates of Participation, 2002 Taxable Series B (the "Series B Certificates"), evidencing proportionate interests of the owners thereof in the Payments to be made by the City; and

WHEREAS, the City's obligation to make Payments under the Installment Purchase Contract is a special obligation payable solely from Net Revenues (as defined in the Installment Purchase Contract) of the Electric System; and

WHEREAS, the City proposes to enter into one or more interest rate swap agreements with Salomon Brothers Holding Company Inc (the "Counterparty") in order to provide a mechanism for economically converting the variable interest rate applicable to the Series A Certificates to a fixed rate as authorized by Sections 5922 and 53534 of the California Government Code; and

WHEREAS, the terms and conditions of such interest rate swaps shall be as set forth in the ISDA Master Agreement, as amended and supplemented by the Schedule to the Master Agreement (collectively, the "Master Agreement") and the ISDA Credit Support Annex to the Schedule to the ISDA Master Agreement (the "Credit Support Annex"), each dated as of September 29, 1999 and each between the City and the Counterparty; and

WHEREAS, such interest rate swaps shall constitute a Transaction under the Master Agreement (the "Transaction"), the specific terms of which shall be contained in one or more Confirmations (the "Confirmation") to be delivered on the date the Transaction is agreed upon by the parties; and

WHEREAS, the City's obligations under the Transaction will be special obligations payable solely from Net Revenues of the Electric System on a parity with the City's obligations to make the Payments under the Installment Purchase Contract; and

WHEREAS, the City's obligations under the Transaction may be secured by security arrangements described in the Credit Support Annex or by an insurance policy; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LODI, AS FOLLOWS:

Section 1. The Transaction is hereby approved and the City Manager and the Director of the Electric Utility, each acting singly, are hereby authorized to enter into the Transaction and accept and execute the Confirmation describing the Transaction; provided, however, that the following limitations shall be applicable to the Confirmation and Transaction: (i) the term of the Transaction shall not exceed the final maturity of the Series A Certificates; (ii) the aggregate notional amount of the Transaction shall not exceed the principal amount of the Series A Certificates; (iii) the fixed rate payable by the City at any time under the Transaction shall not exceed seven percent per annum (7%); and (iv) the variable rate payable by the Counterparty under the Transaction shall be based upon such index as the officer signing the Confirmation determines is reasonably expected to be substantially the same as the interest rates expected to be borne by the Series A Certificates.

Section 2. The securing of the City's obligations under the Transaction either through the use of an insurance policy or the execution and delivery of the Credit Support Annex is hereby authorized and approved. The City Manager and the Director of the Electric Utility, each acting singly, are hereby authorized to determine whether to utilize an insurance policy or the Credit Support Annex to secure the City's obligations under the Transaction, which determination shall be made on the basis of which security arrangement is in the best interests of the City and which determination shall be conclusively evidenced by the execution and delivery of the Credit Support Annex or the delivery of an insurance policy, as applicable. If the Credit Support Annex is executed and delivered pursuant to this Section, the proper officers of the City are hereby authorized and directed to deliver securities and to otherwise take all actions to perform the City's obligations under the Credit Support Annex.

Section 3. The City Manager, the Director of the Electric Utility, the City Attorney and the City Clerk and all other appropriate officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to take such actions as may be necessary or convenient, to carry out the City's obligations under and to effect the purposes of,

the Master Agreement, the Credit Support Annex, the Transaction, the Confirmation, this Resolution and the transactions herein authorized.

Section 4. Capitalized terms used in this Resolution and not otherwise defined shall have the meanings given such terms pursuant to the Master Agreement.

Section 5. This Resolution shall take effect immediately upon its passage.

Date: December 19, 2001

=====

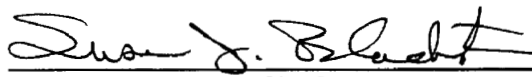
I hereby certify that Resolution 2001-305 was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 19, 2001 by the following votes:

AYES: COUNCIL MEMBERS – Hitchcock, Howard, Land, Nakanishi,
and Mayor Pennino

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



Susan J. Blackston, City Clerk

Approved As to Form:



Randall A. Hays, City Attorney

2001-305